

## **Syrian Government Adopts 5-Yr Plan with SYP 4.3 trillion in Targeted Investments**

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The Syrian Government has approved the 11th 5-year plan, which will govern the country's economic policy for the next five years.

Syria's economic policies have been governed by soviet-style 5-year plans since the Baath Party took over power in 1963. However, the latest edition of the plan, which covered the period 2005—2010, was adopted after the Baath Party changed its economic development model to a "Social Market" model and the plan has had a mainly indicative role although officials and commentators often refer to it as an indicator of the performance of Government policies.

Although the text of the plan has not yet been published, Abdallah Dardari, the Deputy Prime Minister in charge of Economic Affairs, and Amer Lutfi, the head of the State Planning Commission, which is formally in charge of devising the plan, held a press meeting last week during which they provided a number of details on the plan's objectives.

The plan sets a number of priorities. They include a target for annual GDP growth of 5.7 percent on average. In order to reach this target the economy will need some SYP 4.3 trillion in investments. The Government plans to pour in some SYP 2 trillion and expects the private sector to invest around SYP 2.3 trillion. The level of investment required is twice the level required for the 10th 5-year plan.

The reduction in population growth is also among the priorities for the Government, which wants to reduce it from an annual rate of 2.45 percent currently to a rate of 2.1 percent at the end of the period. Mr Lutfi said that population growth was the main challenge to the success of the plan. He did not say, however, how the Government expected to reach this target except by saying that "huge efforts" were needed for that purpose, including in awareness and in education.

The third main priority, as presented by Mr Lutfi, is the increase in the quality of human resources so that productivity increases. Investment in that area will reach some SYP 700 billion or a third of all Government investments. Under the human resources category the Government includes education, health, culture and social protection.

Another area of strategic importance for the Government is infrastructure. The power and water sectors will require SYP 348 billion of investments from the Government, while the Transport sector will take an additional SYP 448 billion for the building or development of roads, airports and ports. A fair and balanced distribution of infrastructure investments will also help reduce domestic migration movements, according to Mr Lutfi.

The agriculture and irrigation sector will receive SYP 197 billion in Government investments; the state-owned manufacturing sector, SYP 70 billion; the oil and gas sector, SYP 95 billion; the construction sector, SYP 6 billion; and the trade and tourism sectors, SYP 66 billion.

Meanwhile, Mr Dardari said that the 11th 5-year plan will build on the successes of the current 5-year plan. Had the Government not entered the path of reform and liberalisation Syria would have faced tremendous difficulties, Mr Dardari said.

"Had we not managed to reform our economy, we projected the budget deficit to reach 10 percent of GDP, public debt to reach 100 percent of GDP, foreign currency reserves to fall to zero by 2012 and the exchange rate of the Syrian Pound to the US dollar to fall to SYP 200.00," he was quoted as saying.

Mr Dardari also said that the nature of the economy will change with a continuous decline in the contribution of agriculture to the economy as a whole. Until the discovery of significant volumes of crude oil reserves in the late eighties the agricultural sector represented the bone of Syria's economy. Until today around 50 percent of the country's population lives in rural areas and depends in a way or another on agriculture.

"Productivity will increase in the agricultural sector, which will need fewer people; we will need to create new business opportunities in the rural areas for this extra labour," he said.

The manufacturing sector is expected to grow the most over the period. Manufacturing output is expected to increase by 13 percent on average every year in the next five years.

The public sector will be among the areas that will witness the most changes, according to both men. A new law regulating the employment of civil servants is expected to be issued. The new law will put more focus on performance and give more autonomy to each institution within the public sector to set its own rules. Except for a compulsory increase in salaries to match the level of inflation, other increases and bonuses will be incentive-based.

Public sector companies will also increasingly switch to a company-based regulatory framework. In other words public sector companies will be managed as private sector companies and benefit from the incentives provided by the various investment regulations.